



MARK PESTRELLA, Director

COUNTY OF LOS ANGELES DEPARTMENT OF PUBLIC WORKS

"To Enrich Lives Through Effective and Caring Service"

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IN REPLY PLEASE
REFER TO FILE

May 02, 2023

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

Dear Supervisors:

**TRANSPORTATION CORE SERVICE AREA
RESOLUTION OF INTENTION AND INTRODUCTION OF AN ORDINANCE
TO GRANT A PROPRIETARY PETROLEUM PIPELINE FRANCHISE
TO MATRIX PIPELINE, L.P.
(SUPERVISORIAL DISTRICT 4)
(3 VOTES)**

SUBJECT

Public Works is seeking Board approval to grant a proprietary petroleum pipeline franchise to Matrix Pipeline, L.P.

IT IS RECOMMENDED THAT THE BOARD:

1. Find that the proposed project is exempt from the California Environmental Quality Act for the reasons stated in this Board letter and in the record of the project.
2. Approve the Resolution of Intention to grant a 5-year proprietary petroleum pipeline franchise to Matrix Pipeline, L.P.; set the matter for a public hearing on May 23, 2023, or on the next available hearing date within 60 days from the date of adoption of the Resolution of Intention; and instruct the Executive Officer of the Board of Supervisors to publish a Notice of Public Hearing pursuant to Section 6232 of the California Public Utilities Code..

AFTER THE PUBLIC HEARING, IT IS RECOMMENDED THAT THE BOARD:

Introduce, waive reading, and set for adoption the proposed ordinance to grant a 5-year proprietary petroleum pipeline franchise to Matrix Pipeline, L.P.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

Approval of the recommended actions will find that the project is exempt from the California Environmental Quality Act (CEQA) and allow the Board of Supervisors to approve the enclosed Resolution of Intention (Enclosure A), schedule a public hearing, and publish a Notice of Public Hearing, as needed, to adopt the enclosed ordinance (Enclosure B) to grant a 5-year proprietary petroleum pipeline franchise to Matrix Pipeline, L.P.

On December 12, 2017, the Board adopted Ordinance No. 2017-0059F granting Matrix a 5-year proprietary petroleum pipeline franchise. Adopting the ordinance will allow Matrix's continued use of the County's public right of way and continue to obligate Matrix to comply with the terms of the franchise.

The pipelines in the franchise area transmit petroleum oil and are regulated by the California Geologic Energy Management Division.

Implementation of Strategic Plan Goals

These recommendations support the County Strategic Plan: Strategy II.1, Drive Economic and Workforce Development in the County, Strategy II.2, Support the Wellness of our Communities, and Strategy III.3, Pursue Operational Effectiveness, Fiscal Responsibility, and Accountability, because revenue received from this transaction will help promote fiscal responsibility.

FISCAL IMPACT/FINANCING

Matrix will pay the County a granting fee of \$10,000 within 30 days of the adoption of the franchise and an annual franchise fee of \$2.10 per cubic foot by applying this rate to the volume of space occupied within the road right of way, which will be subject to annual adjustments using the Consumer Price Index for All Urban Consumers.

For the 2021 calendar year, Matrix reported and paid the County a total annual franchise fee of \$2,500, which was deposited into the County General Fund-Nondepartmental Revenue.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

The existing petroleum pipeline system in the franchise area is owned and operated by Matrix. The new franchise will be for another 5-year term.

Division 3, Title 16, of the Los Angeles County Code authorizes the Board to grant a franchise associated with petroleum pipelines. County Counsel prepared and approved the accompanying Resolution of Intention and the ordinance.

Pursuant to Section 6232 of the California Public Utilities Code, the Executive Officer of the Board shall arrange for the publishing of a Notice of Public Hearing in a newspaper of general circulation in the County at least once within 15 days after the Board's adoption of the Resolution of Intention.

ENVIRONMENTAL DOCUMENTATION

The proposed project, which is to grant a 5-year proprietary petroleum pipeline franchise, is exempt from CEQA. The granting of the franchise will allow the operation and maintenance of existing petroleum pipeline systems and is within a class of projects that have been determined not to have a significant effect on the environment in that it meets the criteria set forth in Section 15301 of the CEQA Guidelines and Class 1 of the County's Environmental Document Reporting Procedures and Guidelines, Appendix G. In addition, based on the proposed project records, it will comply with all applicable regulations and there are no cumulative impacts, unusual circumstances, damage to scenic highways, or listing on hazardous waste site lists compiled pursuant to Government Code, Section 65962.5, or indications that it may cause a substantial adverse change in the significance of a historical resource that would make the exemption inapplicable.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

There will be no impact or adverse effect to any current services or future County projects.

CONCLUSION

Please return adopted copies of this letter, the adopted ordinance, and the adopted Resolution of Intention to the attention of Ms. Jessica Paquette, Administrative and Human Resources Manager, Matrix Pipeline L.P., P.O. Box 92245, Santa Barbara, CA 93190; the office of County Counsel; and Public Works, Survey/Mapping & Property Management Division.

Respectfully submitted,



MARK PESTRELLA, PE

Director

MP:GE:vu

Enclosures

c: Auditor-Controller (Accounting Division—Asset Management)
Chief Executive Office (Chia-Ann Yen)
County Counsel
Executive Office

Enclosure A

**RESOLUTION OF INTENTION
TO GRANT A 5-YEAR PETROLEUM PIPELINE FRANCHISE
TO MATRIX PIPELINE, L.P.**

BE IT RESOLVED by the Board of Supervisors of the County of Los Angeles, State of California:

- A. Matrix Pipeline, L.P., a California Limited Partnership, hereinafter referred to as Franchisee, has applied to the Board of Supervisors of the County of Los Angeles, State of California, for a franchise for a period of five (5) years beginning on June 22, 2023, the operative day of the franchise, and terminating on June 21, 2028, to lay, construct, reconstruct, operate, maintain, renew, repair, change the size of, remove or abandon in place, pipes and pipelines for the collection, transportation or distribution of petroleum, oil, gas, gasoline, or other liquid hydrocarbon products, wet gas, industrial gas, chemicals, mud, steam, water, waste water, and other liquid substances, excluding any hazardous substances or hazardous waste within the meaning of the "Comprehensive Environmental Response Compensation and Liability Act of 1980," 42 U.S.C. Section 9601, et seq., as it may hereafter be amended, and the "Federal Water Pollution Control Act," 33 U.S.C. §1251, et seq., as it may hereafter be amended, together with all manholes, valves, cathodic protection systems, appurtenances, and connections necessary or appropriate for the operation of said pipes or pipelines, including poles, conduits, wires or cables for adjunct communications lines, and other appurtenances and equipment for telegraph or telephone lines, or both, necessary or appropriate for the Franchise's operations in, under, along, or across any and all highways as defined in Section 16.36.080 of the Los Angeles County Code, now or hereafter dedicated to public use within the unincorporated territory of the County of Los Angeles, State of California, and depicted on the Exhibit Map attached to the proposed ordinance attached hereto, and any additional unincorporated territory of the County for Los Angeles, State of California, that may be added to the Franchisee's petroleum service area(s) during the term of the franchise.
- B. It is the intention of the Board of Supervisors to grant the franchise applied for upon the terms and conditions herein mentioned. The Franchisee and its successors and assigns will, during the life of the franchise, pay annually to the County of Los Angeles, State of California, the amount specified in the proposed ordinance from the operative date of the franchise and in the event such payment is not made, the franchise will be forfeited.
- C. The franchise described in the ordinance attached hereto is a franchise for the transportation and distribution of petroleum purposes.

The foregoing resolution was adopted on the ____ day of _____, 2023, by the Board of Supervisors of the County of Los Angeles, State of California, and ex officio of the governing body of all other special assessment and taxing districts, agencies, and authorities for which said Board so acts.

CELIA ZAVALA
Executive Officer of the
Board of Supervisors of the
County of Los Angeles

By _____
Deputy

APPROVED AS TO FORM:

DAWYN R. HARRISON
County Counsel

By  _____
Deputy

ANALYSIS

This ordinance grants a proprietary petroleum pipeline franchise to Matrix Pipeline, L.P., a California Limited Partnership ("Franchisee"), to collect, transport, and distribute petroleum and other petroleum products for a period of five (5) years, beginning on May 25, 2023, and expiring on May 24, 2028. The base annual fee payable to the County of Los Angeles by Franchisee will be determined according to a formula contained in Section 2 of this franchise ordinance. Franchisee will also pay a granting fee of ten thousand dollars (\$10,000).

DAWYN R. HARRISON
County Counsel

By 
GRACE V. CHANG
Principal Deputy County Counsel
Public Works Division

GVC:jy

Requested: 12/22/22
Revised: 04/21/23

ORDINANCE NO. _____

An ordinance granting a proprietary petroleum pipeline franchise to Matrix Pipeline, L.P., a California Limited Partnership for a period of five (5) years, beginning on May 25, 2023, and expiring on May 24, 2028.

The Board of Supervisors of the County of Los Angeles ordains as follows:

Section 1. Franchise Term; Grant.

The right, privilege, and franchise is granted to Matrix Pipeline, L.P., a California Limited Partnership ("Franchisee"), and its successors and assigns, for a period of five (5) years, beginning on May 25, 2023, to lay, construct, reconstruct, operate, maintain, renew, repair, change the size of, remove, or abandon in place, pipes and pipelines for the collection, transportation, or distribution of petroleum, oil, gas, gasoline or other liquid hydrocarbon products, wet gas, industrial gas, chemicals, mud, steam, water, waste water, and other liquid substances, excluding any hazardous substances or hazardous waste within the meaning of the "Comprehensive Environmental Response Compensation and Liability Act of 1980," 42 U.S.C. section 9601 et seq., as it may hereafter be amended, and the "Federal Water Pollution Control Act," 33 U.S.C. section 1251 et seq., as it may hereafter be amended, together with all manholes, valves, cathodic protection systems, appurtenances, and connections necessary or appropriate for the operation of said pipes or pipelines, including poles, conduits, wires, cables, for adjunct communications lines, and other appurtenances and equipment for telegraph or telephone lines, or both, necessary or appropriate solely for Franchisee's operations in, under, along, or across any and all highways, as defined in

Section 16.36.080 of the Los Angeles County Code, now or hereafter dedicated to public use within the unincorporated territory of the County of Los Angeles ("County"), State of California, currently as described below and as depicted on the Exhibit Map attached hereto, as well as any additional unincorporated territories of the County that may be added to Franchisee's petroleum services area(s) during the term of the franchise.

West Whittier Area:

Those unincorporated areas of the County, lying within the following described boundaries:

All of Workman Mill Road within the unincorporated areas of the County, lying northerly of the centerline of Beverly Boulevard, in the City of Whittier, California, and lying southerly of the southeasterly prolongation of the centerline of Rose Hills Road, in the unincorporated territory of the County, as said centerlines existed on June 1, 2001.

Section 2. Consideration; Payment of Fees.

During such time as Franchisee's operations and rates for transportation are subject to the provisions of section 6231.5 of the California Public Utilities Code, the consideration shall be calculated pursuant to said section or other maximum amount permitted by law.

A. Granting Fee. As consideration for a franchise granted, transferred, extended, or otherwise amended, Franchisee shall pay to the County a fee of ten thousand dollars (\$10,000) within thirty (30) days after the adoption of this ordinance.

B. Annual Franchise Fee. As additional consideration for a franchise granted or extended, Franchisee shall pay annually in arrears, on or before April 15 following the end of each calendar year ("Fee Payment Date"), for each year during the life of the franchise, to the County, in lawful money of the United States, a franchise fee computed annually, as set forth below ("Annual Franchise Fee").

C. The Annual Franchise Fee payment by Franchisee shall accrue to the County on January 1 of each year for the highway space occupied by Franchisee's facilities as of December 31 of the calendar year immediately preceding the applicable Fee Payment Date. The Annual Franchise Fee shall be comprised of a base annual fee, which shall be calculated as set forth in subsection 2.E., below ("Base Annual Fee"), adjusted by the ratio of the price index as set forth in subsection 2.F., below, and computed to the nearest tenth (1/10) of a cent. The Base Annual Fee shall be calculated according to the highway space occupied by the pipelines and/or conduits, including the protective coverings, pipe casings, pipe connections, and any other appurtenance(s), such as manholes, valves, cathodic protection systems, connections, and any other structure(s). The Base Annual Fee shall be calculated at the rate of two dollars and ten cents (\$2.10) per cubic foot of highway space occupied, as set forth in subsection 2.E., below.

D. To calculate the volume of highway space occupied by Franchisee's pipes and conduits (metal or plastic), the nominal internal diameter of the pipes and conduits shall be adjusted upward as follows:

1. The adjusted diameter of metal pipes and conduits shall be one (1) inch greater than the nominal internal diameter of such pipes and conduits;
2. The adjusted diameter of plastic pipes and conduits shall be two (2) inches greater than the nominal internal diameter of such pipes and conduits; and
3. In no event shall the adjusted diameter of any pipe or conduit (metal or plastic) be less than six (6) inches.

E. The Base Annual Fee shall be calculated in accordance with the following:

1. The rate of two dollars and ten cents (\$2.10) per cubic foot of highway space occupied, shall be used to calculate a Base Annual Fee as provided herein.

The adjusted diameter of pipe and conduit shall be used to determine the applicable linear footage base rate per one (1) foot of highway space occupied as set forth in the schedule of base rates, below:

A	B	C
Adjusted Diameter of Pipe and Conduit (In Inches)	Volume Per Foot in Cubic Feet	Base Rate Per Linear Foot (Based on \$2.10 Per Cubic Feet)
6.00	0.1964	\$0.41
7.00	0.2673	\$0.56
8.00	0.3491	\$0.73
9.00	0.4418	\$0.93
10.00	0.5454	\$1.15
11.00	0.6600	\$1.39
12.00	0.7854	\$1.65
13.00	0.9218	\$1.94
14.00	1.0690	\$2.24
15.00	1.2272	\$2.58
16.00	1.3963	\$2.93

17.00	1.5763	\$3.31
18.00	1.7672	\$3.71
19.00	1.9690	\$4.13
20.00	2.1817	\$4.58
21.00	2.4053	\$5.05
22.00	2.6398	\$5.54
23.00	2.8853	\$6.06
24.00	3.1416	\$6.60
25.00	3.4089	\$7.16
26.00	3.6870	\$7.74
27.00	3.9761	\$8.35
28.00	4.2761	\$8.98
29.00	4.5870	\$9.63
30.00	4.9088	\$10.31
31.00	5.2415	\$11.01
32.00	5.5851	\$11.73
33.00	5.9396	\$12.47
34.00	6.3050	\$13.24
35.00	6.6814	\$14.03
36.00	7.0686	\$14.84

2. The linear footage base rate (depicted in column C, above) is derived based on the following:

$$Pi = 3.1416$$

$$r = \text{radius of pipe or conduit (in inches)} = \text{adjusted diameter (in inches)} / 2$$

$$L = \text{length of pipe or conduit (in inches)}$$

$$L / 12 = \text{length of pipe or conduit (in feet)}$$

$$\text{Volume of pipe or conduit (in cubic inches)} = Pi \times r^2 \times L$$

$$\text{Volume of pipe or conduit (in cubic feet)} = Pi \times r^2 \times L / 1,728 \text{ inches}$$

$$\text{Base Annual Fee} = \text{Volume of pipe or conduit (in cubic feet)} \times \$2.10 \text{ per cubic foot}$$

$$= (Pi \times r^2 \times L / 1,728 \text{ inches}) \times \$2.10$$

$$\text{Linear footage base rate} = \text{Base Annual Fee per linear foot of pipe}$$

$$= (\pi \times r^2 \times 12 \text{ inches} / 1,728 \text{ inches}) \times \$2.10$$

Base Annual Fee = Linear footage base rate x Length of pipe or conduit
(in feet) = $(\pi \times r^2 \times 12 \text{ inches} / 1,728 \text{ inches}) \times \$2.10 \times (L / 12 \text{ inches}) = (\pi \times r^2 \times L / 1,728 \text{ inches}) \times \2.10 .

3. For pipelines with an adjusted diameter greater than six (6) inches and not listed above, the fees shall be in the same proportion to the fees of a twelve (12) inch diameter pipe as the diameter of the unlisted pipe is to twelve (12) inches.

4. The volume of highway space occupied by any other appurtenance(s), such as manholes, valves, cathodic protection systems, connections, and any other structures, shall be computed using the outside dimensions of the structures.

5. The highway space occupied by overhead communications lines shall be taken as one-fifth (1/5) cubic foot per linear foot of highway route occupied, being equivalent to a rate of forty-two cents (\$0.42) per linear foot ($\$2.10 \times 1/5 = \0.42).

F. The Base Annual Fee shall be calculated as set forth in subsection 2.E., above, and adjusted each calendar year, including the year of the granting of this franchise, on the applicable Fee Payment Date in accordance with the following formula to derive the Annual Franchise Fee; provided, however, in no event shall the Annual Franchise Fee be less than seven thousand five hundred dollars (\$7,500).

1. The Base Annual Fee shall adjust annually on January 1st of each calendar year by an amount equal to one hundred percent (100%) of the increase in

the "Consumer Price Index for all Urban Consumers ("CPI-U") for the Los Angeles-Long Beach-Anaheim California Metropolitan Area (1982-84=100), All Items," as published by the United States Department of Labor, Bureau of Labor Statistics/Office of Information ("Bureau"), which shall be defined as the "index," and such index as it stands on December 1, 2021 (i.e., 297.925), shall be defined as the "base index," and the index for the month of September immediately preceding the Fee Payment Date shall be defined as the "current index").

2. If the current index differs from the base index, then the Base Annual Fee shall increase or decrease by the percentage increase or decrease between the current index and the base index; provided, however, that, if the current index drops below the base index, no adjustment shall be made. The Base Annual Fee shall be multiplied by an adjustment factor determined by dividing the current index by the base index. For example, if the base index is 100 and the current index is 210, the Annual Franchise Fee shall be two hundred and ten (210) percent (i.e., $210 / 100 = 2.1 = 210\%$) times the Base Annual Fee; provided, however, that under no circumstances shall the multiplying factor be less than one, nor shall the Annual Franchise Fee calculated using said factor, be less than the Base Annual Fee. If the Bureau shall revise the index, the parties hereto shall accept the method of revision for conversion recommended by the Bureau.

3. If the Bureau discontinues the preparation or publication of the CPI-U for the area, and if no transposition table prepared by the Bureau is available applicable to the year of 1982, then the amount of each Annual Franchise Fee shall be

computed by reference to such other price index as may be chosen by the County, and the County shall be the sole judge of comparability of successive indices and its determination on this point shall be final and conclusive. In no event shall the Annual Franchise Fee adjusted by reference to such other price index be less than the Base Annual Fee as set forth in subsection 2.E., above.

G. In addition to the foregoing Annual Franchise Fee, Franchisee shall also pay to:

1. The Los Angeles County Department of Public Works ("Public Works"), or before the Fee Payment Date, for each year of the life of the franchise, an initial construction charge calculated at a rate of one hundred dollars (\$100) per mile, and a prorated fraction thereof for any remainder equaling less than one mile, for all new main lines laid during that preceding calendar year.

2. The County Auditor-Controller, on or before the Fee Payment Date, for each year during the life of the franchise, an annual fee of twenty-five dollars (\$25) per pole-mile, and a prorated fraction thereof for any remainder equaling less than one pole-mile, for aerial or above-ground lines, and twenty-five dollars (\$25) per mile, and a prorated fraction thereof for any remainder equaling less than one mile, for underground conduits for wires, cables, or telephone or telegraph lines maintained under the franchise during the preceding calendar year.

H. The County reserves the right to change its method of calculating fees, and the amounts thereof, if the Board of Supervisors ("Board") determines after a public

hearing that good cause exists for such change, and such change is not in conflict with the laws of the State of California.

I. Franchisee shall also pay any application fees, administrative fees, processing fees, late charges, accrued interest, and penalties required in connection with this franchise, all of which may be charged at the then-current applicable rates.

Section 3. Reports.

Franchisee shall, during the life of the franchise:

A. File with the County Auditor-Controller and Public Works, on or before the Fee Payment Date, with one copy to each, a report, verified under oath by a duly authorized representative of Franchisee, showing as of December 31 of the immediately preceding calendar year ("Franchise Report Period"), the length of the Franchisee's main lines in highways, the nominal internal diameter of such main lines, the "rate per foot per year," defined as the amount payable per linear foot per year under Section 2, and the computation of the total amount of the Annual Franchise Fee due to the County, together with such data as is necessary in the opinion of the County Auditor-Controller and/or Public Works to calculate or verify the calculation of the Annual Franchise Fee as required by subsection 2.B.

B. Show in the report prepared pursuant to subsection 3.A., above, any change in franchise footage since the end of the most recent Franchise Report Period, segregating such footage as to new main lines laid, old main lines removed, old main lines abandoned in place, including the internal diameter of such main lines laid, removed, and/or abandoned in place; the footage of new conduits laid for wires, cables,

telegraph lines or telephone lines, old conduits removed, old conduits abandoned in place; the diameter of such conduits laid, removed, and/or abandoned in place; and the footage and internal diameter of main lines and conduits in territory annexed or incorporated since the last day of the most recent Franchise Report Period.

C. File with Public Works, on or before the Fee Payment Date, a report showing the permit number of each permit obtained for the installation of new main lines and conduits during the most recently completed Franchise Report Period, together with the length and size of such main lines and conduits.

D. Within one year of the operative date of this ordinance:

1. Prepare and submit to Public Works procedures and a schedule for conducting routine and as-needed safety inspections and integrity testing ("Testing") of Franchisee's inactive pipelines ("Inactive Pipelines"), in compliance with all applicable federal, State, and local pipeline laws and regulations and the Los Angeles County Code (collectively "Pipeline Laws"). Inactive Pipelines are defined as Franchisee's static, idle, inactive, and out-of-service pipelines, excluding any water or wastewater pipelines.

2. Perform Testing of Franchisee's Inactive Pipelines through an independent third-party testing company, with oversight by appropriate agencies, or as may otherwise be requested by Franchisee and approved by Public Works, in compliance with the Pipeline Laws.

3. Provide evidence satisfactory to Public Works that, in compliance with the Pipeline Laws, each Pipeline not currently in use has either: (1) undergone

required Testing and been approved for active use, or (2) been approved for removal or abandoned in place.

E. Comply with the Pipeline Laws, including but not limited to those pertaining to Testing, operating, and maintaining, as applicable, with respect to all of Franchisee's pipelines that are in active use or have been abandoned, throughout the term of the franchise.

Section 4. Late Payments.

A. In the event Franchisee fails to make any of the payments provided for herein on or before the dates they are due, Franchisee shall pay a late charge of ten percent (10%) of the amount due, said ten percent (10%) being due on the sixty-first (61st) day after the original due date.

B. In the event full payment of any rate, payment, or fee, including the ten percent (10%) late charge, is not received within ninety (90) days after the due date, an assessment of interest shall accrue on the unpaid balance at ten percent (10%) per month, beginning on the ninety-first (91st) day after the due date until full payment is received. Should the franchise payment not be provided to the County, the County reserves the right to terminate the franchise. Upon termination of this franchise, operation of the facilities covered by the franchise shall no longer be authorized, and Franchisee will be liable for costs associated with such termination, including, but not limited to, the costs of abandonment and/or removal of Franchisee's facilities. This term shall survive the expiration or termination of this franchise.

Section 5. Indemnification, Insurance, and Bonding.

Franchisee shall meet the following indemnification, insurance, and bonding requirements:

A. Franchisee shall indemnify, defend, and hold harmless, the County and County's special districts, elected and appointed officers, employees, and agents (collectively "County's Agents") from and against any and all expenses, costs, fees, damages, claims, liabilities, and lawsuits of any nature, including, without limitation, those involving, relating to, or asserting bodily injury, personal injury, death, property damage, encroachment or encumbrance upon property rights or interests, infringement of property rights or interests, loss of property value, defense costs, attorneys' fees, workers' compensation benefits, expenses, and damages of any other type (collectively "Claims"), that relate to or arise from: (1) County's grant and/or extension of the franchise; (2) Franchisee's use or exercise of the franchise and/or the operations or services provided by Franchisee, Franchisee's employees, agents, servants, receivers, contractors, subcontractors, successors, or assignees (collectively "Franchisee's Agents") in connection with the franchise; and/or (3) any acts or omissions of Franchisee, Franchisee's Agents, or any person in connection with activities or work conducted or performed pursuant to the franchise and/or arising out of such activities or work. In furtherance of, and in no way limiting the foregoing, Franchisee shall indemnify, defend, and hold harmless the County and the County's Agents from and against any and all Claims that relate to, arise from, or involve pollution, contamination, degradation, and/or environmental compliance, relating to,

arising from, or involving the franchise, or Franchisee's use or exercise thereof, including, but not limited to, any Claims arising from or relating to any threatened, actual, or alleged discharge, dispersal, release, or escape of any substance, including, but not limited to, any pollutant or contaminant of any kind, into or upon any person, thing, or place, including the land, soil, atmosphere, man-made structure, and/or any above or below ground watercourse or body of water.

The Franchisee shall not be obligated to indemnify the County and County's agents for liability and expense arising from the active negligence of the County and the County's Agents.

B. Public Works shall be immediately notified by Franchisee of any discharge, release, or escape of any petroleum, oil, gas, gasoline, other liquid hydrocarbon products, wet gas, industrial gas, chemicals, steam, water, wastewater, mud, or other substances from Franchisee's pipelines and appurtenances within the franchise area. All actions to investigate, remove, or remediate any substance reasonably demonstrated to have discharged, dispersed, released, or escaped from Franchisee's pipelines, and to repair, restore, install, remove, and/or relocate Franchisee's pipelines and appurtenances shall be the sole responsibility of Franchisee and shall be conducted by Franchisee or Franchisee's Agents, in conformance with any and all laws, ordinances, rules, regulations, requirements, and orders whatsoever, present or future, of the federal, State, County, or other applicable local government at Franchisee's sole cost and expense, and shall be immediately undertaken by Franchisee or Franchisee's Agents. If Franchisee fails to take any action required

pursuant to this Section, the County may, but shall not be obligated to, take all actions it deems appropriate at Franchisee's sole expense. Upon written demand by the County, Franchisee shall reimburse the County for all County expenses reasonably incurred in connection with the County's actions, including, but not limited to, all direct and indirect costs relating to investigation, remediation, and removal.

C. Without limiting Franchisee's indemnification of the County or the County's Agents, Franchisee shall provide and maintain at its own expense, during the term of this franchise, the following programs of insurance. Such programs and evidence of insurance are required to be satisfactory to the County, and shall be primary to, and not contributing with, any other insurance or self-insurance programs maintained by the County.

1. Certificate(s) or other evidence of coverage satisfactory to the County shall be delivered to Public Works on or before the operative date of this franchise ordinance, and on or before the expiration date of each term of insurance. Such certificates or other evidence of coverage shall:

- a. Specifically identify this franchise ordinance;
- b. Clearly evidence all insurance required in this franchise ordinance;
- c. Contain the express condition that the County is to be given written notice by registered mail at least thirty (30) days in advance of any modification, non-renewal, cancellation, expiration, or termination of any program of liability insurance, and at least thirty (30) days in advance of any modification, non-renewal,

cancellation, or termination of any program of Workers' Compensation or other insurance required by this Section;

d. Include a copy of the additional insured endorsement to the commercial general liability policy, adding the County and County's Agents as additional insureds for all activities arising from this franchise; and

e. Show Franchisee's insurance as primary to the County's insurance and self-insurance programs. This may be evidenced by adding a statement to the additional insured endorsement required in subsection 5.C.1.d, above, stating: "It is further agreed that the insurance afforded by this policy is primary to any insurance or self-insurance programs maintained by the additional insureds, and the additional insureds' insurance and self-insurance programs are excess and non-contributing to Named Insured's insurance."

2. The County reserves the right to require copies of Franchisee's insurance policies at the County's request.

3. Insurance is to be provided by an insurance company with an A. M. Best rating of not less than A:VII, unless otherwise approved by the County.

4. Franchisee agrees to release the County and the County's Agents and waive Franchisee's rights of recovery against them under the insurance policies specified in this franchise ordinance.

5. Such insurance shall be endorsed naming the County and the County's Agents as additional insureds, and shall include, but not be limited to:

a. Commercial General Liability insurance written on a commercial general liability form (ISO policy form CG 00 01, or its equivalent, unless otherwise approved by the County), with a combined single limit of not less than fifteen million dollars (\$15,000,000) per occurrence.

i. If written on a claims-made form, such insurance shall be endorsed to provide an extended reporting period of not less than two (2) years following termination or cancellation of this franchise.

b. Comprehensive Auto Liability insurance (written on ISO policy form CA 00 01, or its equivalent, unless otherwise approved by the County), endorsed for all owned, non-owned, and hired vehicles with a limit of not less than one million dollars (\$ 1,000,000) per occurrence.

c. Environmental Impairment Liability insurance, which insures liability for environmental impairment, including cleanup costs, endorsed for "Sudden and Accidental" contamination or pollution. Such coverage shall be in an amount and form to meet all applicable state and federal requirements, but in all events, not less than thirty six million dollars (\$36,000,000) per occurrence.

6. A program of Workers' Compensation insurance in an amount and form to meet all applicable requirements of the California Labor Code and the "Longshoreman and Harbor Worker Compensation Act," 33 U.S.C. section 901 et seq., as it may hereafter be amended, including Employer's Liability with not less than a one million dollar (\$1,000,000) limit, covering all persons providing services on behalf of Franchisee and all persons Franchisee is legally required to cover.

D. Franchisee shall furnish Public Works, within thirty (30) days of the operative date of this ordinance, and within thirty (30) days of the expiration date of each term of insurance, either certified copies of the policies required by subsection 5.C. or a certificate of insurance for each of said policies executed by Franchisee's insurance agent, or by the company issuing the policy, certifying that the policy is in force.

E. Within thirty (30) days following the operative date of this franchise ordinance, Franchisee shall provide to Public Works a faithful performance bond in the sum of not less than one hundred thousand dollars (\$100,000), payable to the County of Los Angeles and executed by a corporate surety acceptable to the County and licensed to transact business as a surety in the State of California. Such bond shall be conditioned upon the faithful performance by Franchisee of the terms and conditions of this franchise and shall provide that, in case of the breach of any condition of this franchise, the whole amount of the penal sum of one hundred thousand dollars (\$100,000), or any portion thereof, shall be immediately payable to the County by the principal and surety(ies) of the bond.

1. Throughout the term of this franchise, Franchisee shall maintain the faithful performance bond in the amount specified herein. Within ten (10) business days after receipt of notice from the County that any amount has been withdrawn from the bond as provided in this Section, Franchisee shall immediately restore the bond to the full amount specified herein.

2. The faithful performance bond shall continue to exist for one year following the County's approval of any sale, transfer, assignment, or other change of ownership of the franchise, or following the expiration or termination of this franchise. The County, in its sole discretion, may release said bond prior to the end of the one-year period upon satisfaction by Franchisee of all the obligations under the franchise.

3. At its sole option, the County may accept Certificates of Deposit, cash deposits, irrevocable letters of credit, or U.S. Government Securities in lieu of, or in addition to, commercial bonds to meet the above bonding requirements. Such alternative instruments shall be made payable to the County and shall be deposited with the County's Auditor-Controller and/or Treasurer and/or Treasurer-Tax Collector, as applicable.

F. The types and amounts of said insurance coverage and bonding shall be subject to review and reasonable adjustment by the County, in its sole discretion, at any time during the term of the franchise. In the event of such adjustment, Franchisee agrees to obtain said adjusted insurance coverage and bonding, in type(s) and amount(s) determined by the County, within thirty (30) days after written notice from the County.

G. Failure on the part of Franchisee to procure or maintain the required insurance and bonding, or to provide evidence of current insurance and bonding, shall constitute a material breach of the terms of this franchise upon which the County may immediately terminate or suspend this franchise.

H. It is the obligation of Franchisee to provide evidence of current insurance policies and bonding. Any franchise operations shall not commence until Franchisee has complied with the provisions of this Section, and any operations shall be suspended during any period that Franchisee fails to obtain or maintain the insurance and bonding required hereunder.

Section 6. Transfers and Assignments.

A. Franchisee shall not sell, transfer (including stock transfer), exchange, assign, lease, or divest itself of the franchise or any part thereof (each of which is hereinafter referred to as an "Assignment"), to any other person or entity ("Transferee"), except as provided in this Section and after payment of a transfer fee as detailed in subsection 6.G., below.

B. Franchisee shall inform Public Works of any pending Assignment, except as excluded in subsection 6.E., and shall provide all documents requested by the County, as set forth in subsection 6.F. Consent to any such Assignment shall only be refused if the County finds that Franchisee is not in compliance with the terms and conditions of the franchise and/or that the proposed Transferee, as applicable, is lacking in sufficient experience and/or financial ability to meet the franchise obligations. Consent shall be conditioned upon the terms and conditions set forth in the Assignment documents delivered to Public Works, the assumption by the Transferee, as applicable, of all Franchisee's covenants and obligations under the franchise, and all information provided to the County under subsection 6.F., below, being true and correct as of

completion of the Assignment. Upon receipt of such consent from the County, Franchisee may proceed to consummate the Assignment.

C. Franchisee shall file with Public Works, within thirty (30) days after the effective date of any Assignment, certified copies of the duly executed instrument(s) that officially evidence(s) such Assignment. If any such duly executed instrument is not filed with Public Works within thirty (30) days after the effective date of such proposed Assignment, or if any condition to consent by the County has not been met, the County may determine, and then notify Franchisee and the proposed Transferee, that the Assignment has no force or effect and/or that the franchise is forfeited.

D. As a condition to granting consent to such Assignment, the County may impose such additional terms and conditions upon the Franchisee and/or proposed Transferee as the Board deems to be in the public interest. Nothing contained herein shall be construed to grant Franchisee the right to complete an Assignment, except in the manner aforesaid, whether by operation of law, by voluntary act of Franchisee, or otherwise.

E. Notwithstanding the foregoing, shareholders, partners, and/or any other person or entity owning an interest in Franchisee may transfer, sell, exchange, assign, or divest themselves of any interest they may have therein without the consent of the County so long as such sale, transfer, exchange, Assignment, divestment, or other change, including a merger, does not result in giving majority control of Franchisee to any person or persons, corporation, partnership, or legal entity other than the persons or entities with the controlling interest in Franchisee on the effective date of the

franchise or the effective date of the last approved Assignment. Otherwise, consent thereof shall be required as otherwise provided in this Section.

F. Except for any Assignments made pursuant to subsection 6.E., upon notice by Franchisee of any proposed Assignment, the proposed Transferee shall submit an Assignment application to Public Works, which shall contain at a minimum:

1. Identification of the proposed Transferee, which indicates the corporate or business entity organization, including the submission of copies of the corporate or business formation papers (e.g., articles of incorporation and by-laws, limited partnership agreements, operating agreements), and the names and addresses of any parent or subsidiary of the proposed Transferee(s), or any other business entity owning or controlling the proposed Transferee in part or in whole.

2. A current financial statement, which has been audited by a certified public accountant, demonstrating conclusively to the satisfaction of the County that the proposed Transferee has all the financial resources necessary to carry out all of the terms and conditions of the franchise. The financial statement shall include a balance sheet, a profit and loss statement for at least the three (3) most recent years, and a statement of changes in financial position; however, if the proposed Transferee has been in existence for less than three (3) years, then for such period of existence.

3. A copy of the proposed agreement of sale, letter of understanding, or other documentation, which details the proposed Assignment ("Assignment Documents").

4. Other information that may be required by the County to assess the capability of the proposed Transferee to operate and maintain the franchise.

G. The transfer fee of ten thousand dollars (\$10,000) shall be submitted with Franchisee's request for the County's consent to any Assignment described in subsection 6.A., and Franchisee shall pay the County's actual costs to process the proposed Assignment application, including any consultant's fees incurred by the County to assist in evaluating the application. Should the County's actual costs exceed the fees detailed above, Franchisee and the proposed Transferee may be required to pay any additional costs incurred by the County in processing the request for Assignment. Such additional costs shall be paid by Franchisee and the proposed Transferee, or either, prior to final consideration of the request by the County or the Board, as applicable.

Section 7. Removal or Abandonment of Facilities.

A. At the time of expiration, revocation, or termination of this franchise or of the permanent discontinuance of the use of its pipes and appurtenances, Franchisee shall, within thirty (30) days thereafter, make a written application to Public Works for permission to engage in one of the following in accordance with applicable federal, State, and local laws and regulations: (1) abandon all, or a portion, of such pipes and appurtenances in place; (2) remove all, or a portion, of such pipes and appurtenances; or (3) transfer all, or a portion, of such pipes and appurtenances. Such application will describe the pipes and appurtenances desired to be abandoned or removed by reference to the map or maps required by this franchise and will describe with

reasonable accuracy the relative physical condition of the pipes and appurtenances. Public Works will determine whether any abandonment, removal or transfer that is proposed may be effected without detriment to the public interest or under what conditions the proposed abandonment, removal or transfer may be safely effected, and Public Works will then notify the Franchisee of any such requirements. If, for any reason, Franchisee suspends operations of any of the pipes and appurtenances contained in this franchise for a period of more than ninety (90) days, Franchisee will notify Public Works. During this period of suspended operations, the Franchisee will maintain said pipes and appurtenances in accordance with all applicable federal and/or State standards, including as directed by the California State Fire Marshal, and/or local laws and regulations.

B. If any pipes and appurtenances to be abandoned in place subject to prescribed conditions are not abandoned in accordance with all such conditions, then Public Works may make additional appropriate orders at its sole discretion, including, an order that the Franchisee remove all such pipes and appurtenances in accordance with applicable requirements. In the event the Franchisee fails to remove any pipes and appurtenances that it is obligated to remove in accordance with such applicable requirements within such time as may be prescribed by Public Works, then Public Works may remove such pipes and appurtenances at the Franchisee's expense, and the Franchisee will pay to the County within sixty (60) days after delivery of an itemized bill the cost of removal including, but not limited to, reasonable overhead

expenses in the sum no greater than an additional thirty percent (30%) of the actual cost of such work.

C. Abandoned pipelines on County highways remain the property of the Franchisee. Should the abandoned pipelines interfere with other uses in the right-of-way, including future utilities or underground facilities, said pipelines shall be removed by Franchisee, as necessary, at Franchisee's sole cost and expense. Alternatively, County may remove or cause to be removed said pipelines at Franchisee's sole cost and expense.

D. For the purposes of the payment of fees provisions in Section 2 of this franchise, such facilities shall continue to be included in the calculation of fees until inspection reports of Public Works indicate the work of removal or abandonment has been done to its satisfaction.

E. This Section will survive the termination or expiration of this franchise.

Section 8. Relocation of Pipelines.

In the event Franchisee receives notice from the County, a city, or any other public entity to relocate its pipelines and appurtenances, if Franchisee neglects or fails to relocate its facilities in a timely manner and in accordance with applicable federal, State, and local laws and regulations after receipt of any such notice, Franchisee shall be solely responsible for, and shall reimburse the County, city, and any other applicable public entities, for any and all costs or expenses incurred by the County, city, and other applicable public entities, due to, or resulting from, such neglect or failure with respect to relocation of the facilities.

Section 9. Pipeline Franchise Ordinance.

Franchisee acknowledges that it must comply with all applicable federal, State, and local laws and regulations, including the County Code, as may be amended hereafter, to the extent Franchisee continues to conduct activities within the County's right-of-way, and/or Franchisee's facilities continue to occupy the County's right-of-way, following the termination or expiration of this franchise.

Section 10. County Addresses.

All fee payments and reports required hereunder, except those expressly directed to be sent to Public Works, shall be sent to the County and addressed as follows:

Franchise/Concessions Section
County of Los Angeles
Office of the Auditor-Controller
Administrative Services, Room 515
500 West Temple Street
Los Angeles, California 90012-2713

Applications, reports, notices, and other documents and information referenced in this franchise shall be sent to the County, at the same address referenced above, with a copy to:

Los Angeles County Public Works
Attn: Survey/Mapping & Property Management Division
900 South Fremont Avenue
Alhambra, California 91803

Any notice, request, instruction, or other document to be given to Franchisee shall be addressed as follows:

Matrix Oil Corporation
c/o Jonathan Gregory
459 West Road
La Habra Heights, California 90631

Section 11. Franchise Ordinance Operative Date.

The operative date of this franchise ordinance shall be May 25, 2023.

Section 12. Termination.

If Franchisee fails to comply with any of the requirements of the franchise, the County may, in its sole discretion, terminate the franchise and/or seek any and all available remedies at law or in equity.

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